Annual Financial Statements

for

!KHEIS MUNICIPALITY

for the year ended 30 June: ***2011***

Province:	Northern Cape
AFS rounding:	***R (i.e. only cents)***

Contact Information:

Name of Acting Municipal Manager:	ME. H.T.SCHEEPERS
Name of Chief Financial Officer:	MR JAKOBUS BLOM
Contact telephone number:	054 833 9500
Contact e-mail address:	jacobusb@kheis.co.za
Name of contact at provincial treasury:	ME J SEPTEMBER
Contact telephone number:	054 332 5224
Contact e-mail address:	jseptember@upprov.ncape.gov.za
Name of relevant Auditor:	
Contact telephone number:	
Contact e-mail address:	
Name of contact at National Treasury:	Irene Mathatho
Contact telephone number:	irene.mathatho@treasury.gov.za
Contact e-mail address:	012 315 5079

!KHEIS MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

GENERAL INFORMATION

Members of the Council

Wilfred Maritz	**Mayor** *(Appointed 06 June 2011)*
Samuel Esau	Member *(Appointed 06 June 2011)*
Paul Vries	Member *(Appointed 06 June 2011)*
Andries Diergaardt	Member *(Appointed 06 June 2011)*
Johannes Joseph	Member *(Appointed 06 June 2011)*
Elizabeth Cloete	Member *(Appointed 06 June 2011)*
Koos Esau	Member *(Appointed 06 June 2011)*

Municipal Manager

ME. H.T. SCHEEPERS (Acting)

Chief Financial Officer

Mr. J Blom

Grading of Local Authority

Grade 1

Auditors

Auditor-General

Bankers

First National Bank

General information (continued)

Registered Office:	!Kheis Municipality
Physical address:	97 Orange Street Groblershoop 8850
Postal address:	**PO Box 176** Groblershoop 8850
Telephone number:	054 833 9500
Fax number:	054 833 9509
E-mail address:	jacobusb@kheis.co.za

!KHEIS MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 39, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 34 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

_____
Municipal Manager:

DATE

!KHEIS MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2011

Index **Page**

Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-20
Notes to the Annual Financial Statements	21-40
Appendix A: Schedule of External Loans	41
Appendix B: Analysis of Property, Plant and Equipment	42-43
Appendix C: Segmental Analysis of Property, Plant and Equipment	44
Appendix D: Segmental Statement of Financial Performance	45
Appendix E	
Appendix E1: Actual Versus Budget (Revenue and Expenditure)	46
Appendix E2: Actual Versus Budget (Acquisition of Prop, Plant and Equip)	47
Appendix F: Disclosures of Grants and Subsidies	48

!KHEIS MUNICIPALITY

STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	Note	2011 R	2010 R
ASSETS			
Current assets			
Cash and cash equivalents	1	1 417 630	1 085 632
Trade and other receivables from exchange transactions	2	121 339	14 548 111
Other receivables from non-exchange transactions	4	249 480	1 074 524
Inventories	7	9 947	
Investments	8	669 124	664 656
VAT receivable	12	1 458 884	919 331
Non-current assets			
Property, plant and equipment	9	58 843 559	50 192 864
Total assets		**62 769 963**	**68 485 119**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	10	4 186 390	4 087 075
Consumer deposits	11	53 170	49 408
VAT payable	13	-	2 259 878
Taxes and transfers payable (non-exchange)			
Current accruals	14	780 237	647 868
Bank overdraft	1		550 842
Current portion of unspent conditional grants and receipts	15	2 695 659	2 039 950
Current portion of borrowings	16	314 809	451 100
Current portion of finance lease liability	17	501 997	
Non-current liabilities			
Non-current borrowings	16	2 184 397	2 575 854
Non-current finance lease liability	17	1 882 511	
Total liabilities		**12 599 169**	**12 661 973**
Net assets		**50 170 794**	**55 823 146**
NET ASSETS			
Reserves			
Accumulated surplus / (deficit)		50 170 793	55 823 146
Total net assets		**50 170 793**	**55 823 146**

!KHEIS MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE

as at 30 June 2011

	Note	2011 R	2010 R
Revenue			
Exchange Transactions			
Property rates	19	595 065	977 847
Service charges	20	5 987 655	6 232 869
Rental of facilities and equipment	21	494 891	396 621
Non Exchange Transactions			
Interest earned - external investments	22	160 264	94 803
Interest earned - outstanding receivables	23	1 303 739	155 013
Fines		26 770	10 040
Licences and permits		520 036	117 637
Government grants and subsidies	24	21 808 432	16 884 253
Public contributions and donations	25	55 425	
Other income	25	15 396	29 888
Total revenue		**30 967 673**	**24 898 972**
Expenses			
Bad debts		2 920 922	990 000
Bulk purchases	30	569 968	713 472
Debt Impairment	34	12 003 754	
Depreciation and amortisation expense	28	1 145 616	884 357
Employee related costs	26	6 408 424	5 830 579
Finance costs	29	153 420	205 346
Free Basic Services	31	2 016 825	1 760 129
General expenses	32	7 489 673	4 145 471
Provision for Bonus & Leave	20	132 369	468 772
Remuneration of councillors	27	1 745 778	1 267 182
Repairs and maintenance		809 813	551 957
Total expenses		**35 396 562**	**16 817 264**
Gain / (loss) on sale of assets	33	144 589	-
(Impairment loss) / Reversal of impairment loss	34		-
Profit / (loss) on fair value adjustment			-
Inventories: (Write-down) / reversal of write-down to net realisable value			
Surplus / (deficit) for the period		**(4 284 301)**	**8 081 708**

!KHEIS MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2011

	Note	Accumulated Surplus/(Deficit)	Total: Net Assets
		R	R
Balance at 30 June 2009		**43 451 091**	**43 451 091**
Surplus / (deficit) on revaluation of property of property, plant and equipment			-
Adjustment prior year error		2 922 295	2 922 295
Other items			-
Net gains and losses not recognised in the statement of financial performance			-
Transfers to / from accumulated surplus/(deficit)			-
Surplus / (deficit) for the period		8 081 708	8 081 708
Restated balance at 30 June 2010		**54 455 094**	**54 455 094**
Surplus / (deficit) on revaluation of property of property, plant and equipment			-
Adjustment prior year error			-
Other items			-
Net gains and losses not recognised in the statement of financial performance			-
Transfers to / from accumulated surplus/(deficit)			-
Surplus / (deficit) for the period		(4 284 301)	(4 284 301)
Balance at 30 June 2011		**50 170 793**	**50 170 793**

Adjustment prior year: VAT correction has been made in the current year amounting to R 1 368 053

!KHEIS MUNICIPALITY

CASH FLOW STATEMENT

as at 30 June 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		35 821 684	29 427 110
Payments		22 225 811	20 551 961
Net cash flows from operating activities	35	**13 595 873**	**9 448 978**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(9 796 310)	(6 853 072)
Proceeds from sale of fixed assets			
Proceeds from sale of investments		(4 468)	(4 656)
Purchase of foreign currency securities			
Net cash flows from investing activities		**(9 800 778)**	**(6 857 728)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings		(527 748)	(586 020)
Proceeds from finance lease liability		(2 384 508)	
Repayment of finance lease liability			
Net cash flows from financing activities		**(2 912 256)**	**(586 020)**
Net increase / (decrease) in net cash and cash equivalents		882 839	2 005 230
Net cash and cash equivalents at beginning of period		534 790	(1 470 440)
Net cash and cash equivalents at end of period	36	**1 417 630**	**534 790**

!KHEIS MUNICIPALITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ending 30 June 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

In accordance with section 122(3) of the Municipal Finance Management Act (Act 56 of 2003), the Municipality has adopted the Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year. GAMAP and GRAP standards are fundementally different to the fund accounting policies, adopted in previous years. Comparitive amounts have been restated retrospectively to the extent possible. The effect of change in accounting policy arising from implementation of GAMAP and GRAP is set out in Note 47.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of non-cash-generating assets
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 26 Impairment of cash-generating assets
GRAP 103 Heritage Assets - issued July 2008

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Meduim and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12- Inventories;
GRAP 13- Leases;
GRAP 16- Investment Property;
GRAP 17- Property, Plant and Equipment;
GRAP 19- Provisions, Contingent Liabilities and Contingent Assets;
GRAP 100- Non-current Assets Held for Sale and Discontinued Operations;
GRAP 102- Intangible Assets.

These Transitional Provisions allows for extention period of 3 years from converting to GRAP Standards. Kheis Municipality will face out these provisions and will fully comply with the standarts of GRAP during the 2012 financial year

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for, as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revalutaion less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revalutation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	**Years**
Roads and Paving	10-30
Pedestrian Malls	30
Electricity	20-30
Water	15-30
Sewerage	15-30
Community	
Buildings	10-30
Recreational Facilities	10-30
Security	10-30
Halls	10-30
Libraries	10-30
Parks and gardens	10-30
Other assets	10-30
Heritage assets	
Buildings	10-30
Paintings and artifacts	10-30
Finance lease assets	
Office equipment	10-30
Other assets	10-30

Other	
Buildings	30
Specialist vehicles	10-20
Other vehicles	5-7
Office equipment	3-7
Furniture and fittings	7-10
Watercraft	15
Bins and containers	5
Specialised plant and equipment	10-15
Other items of plant and equipment	2-5
Landfill sites	15
Quarries	25
Emergency equipment	5-15
Computer equipment	5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amoritisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 Years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in acounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:
- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.
A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are intitally recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cashflows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities held at amortised cost, are intitially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilties carried at amortised cost.

9 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor’s share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor’s share of the associate’s surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

 # UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

 # IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

 # FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

 # PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
(a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business corcerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

15.1

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

 # BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

 # RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Cape Joint Pension Fund

Cape Joint Pension Fund

 # CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs*

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

 # IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municpality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

CONTINGENT LIABILITIES

All known contigent liabilities are reflected in the financial statements

AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

	Note	2011 R	2010 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		1 666	461
Cash at bank		101 138	
Call deposits		1 314 826	1 085 171
		1 417 630	1 085 632

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank - Branch: Groblershoop Account Number 62026193441

Cash book balance at beginning of year	(550 842)	-
Cash book balance at end of year	101 138	(550 842)
Bank statement balance at beginning of year	(547 082)	-
Bank statement balance at end of year	113 773	(547 082)

Call Accounts

First National Bank - Branch: Groblershoop Account Number 62102417567

Bank statement balance at beginning of year	1 074 214	-
Bank statement balance at end of year	**1 256 020**	**1 074 214**

First National Bank - Branch: Groblershoop Account Number 62150559486

Bank statement balance at beginning of year	10 957	-
Bank statement balance at end of year	**10 123**	**10 957**

First National Bank - Branch: Groblershoop Account Number 62304431828

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	**10 640**	

First National Bank - Branch: Groblershoop Account Number 62304432123

Bank statement balance at beginning of year	-	
Bank statement balance at end of year	**38 044**	
Total Call Accounts	**1 314 826**	**1 085 171**

Cash on hand

Cash balance at beginning of year	461	
Cash balance at end of year	**1 666**	**461**
Total cash and cash equivalent	**1 417 630**	**534 790**

	Note	2011 R	2010 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	**Gross Balances**	**Provision for Impairment**	**Net Balance**
Trade receivables	**R**	**R**	**R**
as at 30 June 2011			
Service debtors			
Water	5 787 491	(5 749 634)	37 857
Sewerage	3 075 600	(3 077 596)	(1 996)
Refuse	4 335 525	-4282614.79	52 910
Old Debt, Admin Charges	4 909 277	(4 876 709)	32 568
Total	**18 107 893**	**(17 986 554)**	**121 339**
			121 339
as at 30 June 2010			
Service debtors			
Water	5 900 384	(1 476 708)	4 423 676
Sewerage	2 452 315	(613 749)	1 838 566
Refuse	3 392 186	(848 973)	2 543 212
Old Debt	4 645 398	(1 162 619)	3 482 779
Total	**16 390 283**	**(4 102 049)**	**12 288 234**
Plus: VAT Debtors			**2 259 878**
			14 548 111

Ageing - Trade receivables from exchange transactions	**Water**	**Sewerage**	**Refuse**	**Old Debts, Admin C**
Current (0 – 30 days)			(22 091)	
31 - 60 Days			400 038	
61 - 90 Days			388 638	
91 - 120 Days			325 526	
+ 121 Days			19 755 292	
Total	**-**	**-**	**20 847 403**	**-**

Summary of Debtors by Customer Classification	**Residential** **R**	**Business** **R**	**National and Provincial Government** **R**
as at 30 June 2011			
Current (0 – 30 days)	331 347	49 199	25 796
31 - 60 Days	329 006	32 525	34 073
61 - 90 Days	284 725	19 240	33 038
91 - 120 Days	230 145	22 733	42 017
+ 121 Days	15 282 313	565 750	704 647
Sub-total	**16 457 536**	**689 447**	**839 571**
Less: Provision for impairment	18 736 654	581 355	
Total debtors by customer classification	**35 194 190**	**1 270 802**	**839 571**
Doubtful debts written off against provision			
Reversal of provision	**18 736 654**	**581 355**	**-**
Balance at end of year			

	Note	2011 R	2010 R
3 Reconciliation of the provision for impairment			
Balance at beginning of the year		4 393 333	3 403 333
Contributions to provision		14 924 676	990 000
Doubtful debts written off against provision			
Reversal of provision			
Balance at end of year		**19 318 009**	**4 393 333**
4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Insurance claims			
Rates and other taxes		11 195	794 536
Subsidies			
Road reinstatements			
Unauthorized expenditure (see Note 50.1)			
Other debtors			
- Thumelo Youth Farm		73 130	73 130
- Sundry Debtors		139 807	136 207
- VAT		-	7 489
- Various Controls		25 349	25 349
- DWAF Funds		-	37 815
Prepayments (if not material)			
Total Other Debtors		**249 480**	**1 074 524**
5 OTHER NON-CURRENT FINANCIAL ASSETS			
Other non-current financial assets		238 285	279 989
Rates re-allocated		-	-
		238 285	**279 989**
6 OTHER CURRENT FINANCIAL ASSETS			
Other current financial assets			
7 INVENTORIES		**9 947**	
Opening balance of inventories:			
Consumable stores - at cost			
Maintenance materials - at cost			
Spare parts – at net realisable value			
Other goods – at cost		9 947	
Water			
In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Meduim and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:			
GRAP 12- Inventories;			
Please refer to note 1.5 of the accounting policies for Directive 4 disclosures			
8 INVESTMENTS			
First National Bank - Branch: Groblershoop Account Number 71129793876		69 124	64 656
Interest rate on this investment is 5,54 %			
Investment term is 12 months			
First National Bank - Branch: Groblershoop Account Number 71197351979		600 000	600 000
Interest rate on this investment is 5,7 %			
Investment term is 6 months			
Total balance of investments		**669 124**	**664 656**

9 PROPERTY, PLANT AND EQUIPMENT

9.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2010	**32 671 576**	**-**	**16 192 612**	**27 196**	**-**	**1 301 480**	**-**	**50 192 864**
Cost/Revaluation	32 671 576		19 214 044	27 196	-	4 265 786	-	56 178 602
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	-	3 021 432	-	-	2 964 305	-	5 985 738
Acquisitions	-	-	4 422 645	-	-	651 093	2 510 006	7 583 745
Capital under Construction	-	-	2 021 136	-	-	-	-	2 021 136
Depreciation	-	-	906 540	-	-	261 981	125 500	1 294 022
Carrying value of disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2011	**17 566 410**	**15 269 400**	**21 729 853**	**27 196**	**-**	**1 866 192**	**2 384 506**	**58 843 557**
Cost/Revaluation	17 566 410	15 269 400	25 657 826	27 196	-	4 916 878	2 510 006	65 947 716
Accumulated depreciation and impairment losses	-	-	3 927 973	-	-	3 050 686	125 500	7 104 159

Refer to Appendix B for more detail on property, plant and equipment App B'!A1

9 PROPERTY, PLANT AND EQUIPMENT

9.1 Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other Assets R	Finance lease R	Total R
as at 1 July 2009	32 287 400	-	10 441 661	-	-	1 495 087	-	44 224 149
Cost/Revaluation	32 287 400	-	12 824 615	-	-	4 213 515	-	49 325 530
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	-	2 382 953	-	-	2 718 428	-	5 101 381
Acquisitions	384 176	-	1 262 550	27 196	-	52 270	-	1 726 193
Capital under Construction	-	-	5 126 880	-	-	-	-	5 126 880
Depreciation	-	-	638 479	-	-	245 877	-	884 357
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2010	**32 671 576**	-	**16 192 612**	**27 196**	-	**1 301 480**	-	**50 192 864**
Cost/Revaluation	32 671 576	-	19 214 044	27 196	-	4 265 786	-	56 178 602
Accumulated depreciation and impairment losses	-	-	3 021 432	-	-	2 964 305	-	5 985 738

Refer to Appendix B for more detail on property, plant and equipment App B'!A1

QUANTITY ASSESTS PER CATAGORY STILL IN USE FULLY DEPRECIATET INCLUDED IN ASSETREGISTER

	TOTAL	AMOUNT
9.2 LAND AND BUILDINGS		
9.3 INFRASTRUCTURE	31	31
9.4 OTHER ASSETES	218	218

ASSETS DAMAGED BEYOND REPAIR STILL IN ASSET REGISTER FULLY DEPRECIATED

9.5 Fiat Trekker	1	1

	Note	2011 R	2010 R

10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	3 812 581	3 713 748
Payments received in advance	373 809	373 326
Total creditors	**4 186 390**	**4 087 075**

The fair value of trade and other payables approximates their carrying amounts.

11 CONSUMER DEPOSITS

Electricity and Water	53 170	49 408
Accrued interest		
Total consumer deposits	53 170	49 408

12 VAT RECEIVABLE

VAT receivable	1 458 884	919 331
- VAT Claimable Shadow	*126 158*	*332 529*
- VAT Claimable SARS	*99 609*	*586 803*
- SARS VAT	*1 233 116*	-
- VAT Debtors	*2 535 105*	
- VAT Debtors Provision	*(2 535 105)*	

13 VAT PAYABLE

VAT payable	-	2 259 878

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

14 LEAVE AND BONUS ACCRUAL

Performance bonus		
Current portion of long-service provision (see note 25)		
Leave accrual	543 463	447 714
Bonus accrual	236 774	200 153
Total	**780 237**	**647 868**

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

The movement in current provisions are reconciled as follows: -	**Performance Bonus**	**Provision for leave**
as at 1 July 2010	200 153	447 714
Contributions to provision	36 620	95 749
Expenditure incurred		
as at 30 June 2011	**236 774**	**543 463**
as at 1 July 2009		
Contributions to provision	200 153	447 714
Expenditure incurred		
as at 30 June 2010	**200 153**	**447 714**

	Note	2011 R	2010 R
15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
15.1 Unspent Conditional Grants from other spheres of Government			
MIG Grants			
Grootmaat Watervoorsiening Topline & Brandboom		2 322 252	1 544 162.74
Other		-	0
15.2 Other Unspent Conditional Grants and Receipts			
Behuising (Topline)		7 692	130 072
Opgradering Boegoeberg Sportgronde		365 715	365 715
Total Unspent Conditional Grants and Receipts		**2 695 659**	**2 039 950**
Non-current unspent conditional grants and receipts			
Current portion of unspent conditional grants and receipts		**2 695 659**	**2 039 950**
See Note 31 for reconciliation of grants and receipts.			
These amounts are invested in ring-fenced investment until utilised.			
16 BORROWINGS			
DBSA		2 475 035	2 839 606
Wesbank Finance		24 171	187 347
		2 499 206	**3 026 953**
Less : Current portion transferred to current liabilities		314 809	**451 100**
Government Loans : Other			
Other borrowings		314 809	451 100
Total borrowings		**2 184 397**	**2 575 854**
Refer to Appendix A for more detail on borrowings.	App A'!A1		

17 FINANCE LEASE LIABILITY

2011 **Amounts payable under finance leases**	**Minimum lease payment** **R**	**Future finance charges** **R**	**Present value of minimum lease payments** **R**
Within one year	547 196	45 199	501 997
Within two to five years	2 063 305	180 794	1 882 511
	2 610 501	225 993	**2 384 508**
Less: Amount due for settlement within 12 months (current portion)			501 997
			1 882 511

18 NON-CURRENT PROVISIONS		
Provision for rehabilitation of landfill sites		
Provision for long-service awards		
Total Non-Current Provisions	**-**	**-**

	Note	2011 R	2010 R
19 PROPERTY RATES			
Actual			
Residential		595 065	977 847
Commercial			
Light Industries			
Heavy Industries			
State			
Total property rates		**595 065**	**977 847**
Property rates - penalties imposed and collection charges			
Total		**595 065**	**977 847**
Valuations			
Residential		97 577 400	97 577 400
Commercial		20 220 000	20 220 000
State		15 790 100	15 790 100
Municipal		11 017 000	11 017 000
Agriculture		430 318 000	430 318 000
Public Worship		8 982 000	8 982 000
Total Property Valuations		**583 904 500**	**583 904 500**
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.			
20 SERVICE CHARGES			
Sale of electricity			
Sale of water		3 008 938	3 348 816
Refuse removal		1 711 601	1 580 030
Sewerage and sanitation charges		1 267 116	1 304 022
Total Service Charges		**5 987 655**	**6 232 869**
21 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		17 954	21 983
Rental of equipment			
Other rentals		476 937	374 638
Total rentals		**494 891**	**396 621**
22 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		160 264	94 803
Financial assets			
Total interest		**160 264**	**94 803**
23 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Sundry debtors		71 986	1 799
Sewerage and Sanitation debtors		336 004	15 326
Water debtors		895 749	137 889
Total interest		**1 303 739**	**155 013**

	Note	2011 R	2010 R
24 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		11 787 449	9 483 722
Library		220 000	219 000
MIG Grant		7 345 911	5 798 434
Other Government Grants and Subsidies		2 080 072	1 383 097
Provincial Government - Coghsta		375 000	
Total Government Grant and Subsidies		**21 808 432**	**16 884 253**
24.1 Equitable Share			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R203.29, which is funded from the grant.			
24.2 MIG Grant			
Balance unspent at beginning of year		1 544 163	975 726
Current year receipts		8 124 000	7 111 000
Conditions met - transferred to revenue		(7 345 911)	(6 542 563)
Conditions still to be met - remain liabilities (see note 21)		**2 322 253**	**1 544 163**
Provide explanations of conditions still to be met and			
24.3 Other Government Grants and Subsidies			
Balance unspent at beginning of year		130 072	591 100
Current year receipts (MSIG and FMG)		1 950 000	1 600 000
Conditions met - transferred to revenue		(2 080 072)	(2 061 028)
Conditions still to be met - remain liabilities (see note 21)		**-**	**130 072**
Provide explanations of conditions still to be met and			
24.4 Behuising Topline			
Balance unspent at beginning of year		-	
Current year receipts		72 116	
Conditions met - transferred to revenue		(64 424)	
Conditions still to be met - remain liabilities (see note 21)		**7 692**	**-**
Provide explanations of conditions still to be met and			
24.5 Opgradering Boegoeberg Sportgrronde			
Balance unspent at beginning of year		(365 715)	
Current year receipts			(365 715)
Conditions met - transferred to revenue			
Conditions still to be met - remain liabilities (see note 21)		**(365 715)**	**(365 715)**
other relevant information			
25 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
25.1 Other income			
Photocopies		479	190
Commission received		251	202
Library fines		330	1 492
Building plan fees		4 868	3 491
Clearing Certificate fees		3 101	3 740
Smouslisensies		2 107	4 889
Faxes		8	11
Sundry income		-	1 334
Graves sold		1 229	1 026
Sale of soil		456	9 838
Rental Community Hall Topline		2 569	3 676
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)			
Total Other Income		**15 396**	**29 888**

	Note	2011 R	2010 R
25.2 Public contributions and donations			
Public contributions - Conditional			
Public contributions - Unconditional		55 425	
Donations			
Total public contributions and donations		**55 425**	**-**

26 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	4 732 243	4 054 811
Employee related costs - Contributions for UIF, pensions and medical aids	770 739	664 951
Travel, motor car, accommodation, subsistence and other allowances	481 285	327 635
Housing benefits and allowances	7 842	7 842
Overtime payments	20 927	18 685
Performance and other bonuses	371 666	425 840
Other employee related costs	156 091	330 815
Total Employee Related Costs	**6 540 793**	**5 830 579**

There were no advances to employees / Loans to employees are set out in note 3.

Remuneration of the Municipal Manager		
Annual Remuneration	301 113	278 803
Performance- and other bonuses		-
Travel, motor car, accommodation, subsistence and other allowances	103 596	103 581
Contributions to UIF, Medical and Pension Funds	49 300	76 292
Total	**454 009**	**458 675**

Remuneration of the Chief Finance Officer		
Annual Remuneration	270 942	250 874
Performance- and other bonuses		-
Travel, motor car, accommodation, subsistence and other allowances	102 300	102 300
Contributions to UIF, Medical and Pension Funds	1 296	-
Total	**374 538**	**353 174**

Remuneration of Individual Executive Directors		**Corporate Services** **R**	 **R**
		2011	**2010**
Annual Remuneration		200 000	
Performance- and other bonuses			
Travel, motor car, accommodation, subsistence and other allowances		76 000	
Contributions to UIF, Medical and Pension Funds		37 296	
Total	**-**	**313 296**	**-**

The Manager - Corporate Service position was vacant in 2010

27 REMUNERATION OF COUNCILLORS

Mayor	547 718	521 636
Councillors	1 198 060	745 546
Total Councillors' Remuneration	**1 745 778**	**1 267 182**

In-kind Benefits

The Mayor is full-time and are provided with an office and secretarial support at the cost of the Council.

28 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	1 145 616	884 357
Intangible assets		
Investment property carried at cost		
Biological assets carried at cost		
Total Depreciation and Amortisation	**1 145 616**	**884 357**

29 FINANCE COSTS

Borrowings	153 420	187 343
Consumer deposits		-
Bank overdrafts		18 003
Total Finance Costs	**153 420**	**205 346**

	Note	2011 R	2010 R
30 BULK PURCHASES			
Water		569 968	713 472
Total Bulk Purchases		**569 968**	**713 472**
31 GRANTS AND SUBSIDIES PAID			
Grant/subsidy to Indigent		2 016 825	1 760 129
		2 016 825	**1 760 129**
32 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		33 762	49 492
Admin fees		1 480 226	-
Audit fees		2 207 039	49 683
Bank charges		25 332	34 400
Bursaries			-
Cleaning		67 247	36 645
Conferences and delegations			-
Connection charges			-
Consulting fees			-
Consumables		5 052	-
Debt collection commission			-
Departmental consumption		984 020	609 466
Entertainment		25 068	-
Financial management grant			1 436 246
Fuel and oil		401 577	265 436
Insurance		182 620	417 393
Legal expenses		5 874	56 732
Levies paid		1 516	-
Licence fees - vehicles		537 695	24 116
Licence fees - computers			242 853
Membership fees		105 685	146 319
Parking			-
Postage		47 617	57 920
Printing and stationery		78 558	69 510
Professional fees			-
Rental of buildings			-
Rental of office equipment		54 813	141 996
Rental of computer equipment		22 062	-
Other rentals		189 761	15 972
Security costs		2 710	-
Sewerage treatment costs		255 996	71 598
Skills development levies		215 167	36 800
Stocks and material			-
Subscribtion & publication			-
Telephone cost		173 284	184 038
Training			-
Transport claims		102 431	14 423
Travel and subsistence		170 299	116 492
Uniforms & overalls		17 231	34 963
Valuation costs			-
Wages		39 910	
Other		57 122	32 978
		7 489 673	**4 145 471**

	Note	2011 R	2010 R
33 GAIN / (LOSS) ON SALE OF ASSETS			
Property, plant and equipment		144 589.30	
Intangible assets			
Investment property			
Biological assets			
Other financial assets			
Total Gain / (Loss) on Sale of Assets		**144 589**	**-**
34 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)			
Property, plant and equipment			
Intangible assets			
Investment property			
Biological assets			
Other financial assets		12 003 754	
Total Impairment loss / (Reversal of Impairment Loss)		**12 003 754**	**-**
Value in use			
Fair value less cost to sell			
Sensitivity of key assumptions			
35 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		(4 284 301)	8 081 708
Adjustment for:-			
Depreciation and amortisation		1 145 616	884 357
(Gain) / loss on sale of assets		(144 589)	-
Contribution to provisions - non-current		2 920 922	990 000
Contribution to provisions - current		132 369.01	468 772
Finance costs		153 420	205 346
Fair value adjustments		-	-
Impairment loss / (reversal of impairment loss)		12 003 754	-
Interest earned		(1 464 003)	(249 817)
Other non-cash item			
Operating surplus before working capital changes:		**10 463 188**	**10 380 366**
(Increase)/decrease in fixed assets		(8 650 695)	
(Increase)/decrease in trade receivables		14 426 773	(4 248 901)
(Increase)/decrease in other receivables		825 044	(656 620)
(Increase)/decrease in VAT receivable		(539 552)	(918 289)
Increase/(decrease) in inventories		(9 947)	
Increase/(decrease) in conditional grants and receipts		655 709	1 130 744
Increase/(decrease) in trade payables		99 315	(679 876)
Increase/(decrease) in consumer deposits		3 763	3 713
Increase/(decrease) in VAT payable		(2 259 878)	615 541
Prior year adjustments		(1 417 847)	3 822 301
Cash generated by/(utilised in) operations		**13 595 873**	**9 448 978**
36 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		1 417 630	1 085 632
Bank overdrafts		-	(550 842)
Net cash and cash equivalents (net of bank overdrafts)		**1 417 630**	**534 790**

	Note	2011 R	2010 R
37 CHANGE IN ACCOUNTING POLICY			
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:			
37.1 Statutory Funds			
Balance previously reported: -			
Revolving fund.			1 042 864
Total		**-**	**1 042 864**
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		-	
Transferred to Government Grant Reserve			
Transferred to Capitalisation Reserve			
37.2 Grant funding disclosed as Trust Funds			
Balance previously reported			428 588
Total		**-**	**428 588**
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		-	
37.3 Inventory			
Balance previously reported			
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)			
Change from first-in-first-out to weighted average method			
Total		**-**	**-**
37.4 Non-current provisions			
Balance previously reported -			
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)			
Long-service			
Total		**-**	**-**
37.5 Property, plant and equipment			
Balance previously reported			
Implementation of GRAP			
Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 47.7 below)			19 276 678
Total		**-**	**19 276 678**

	Note	2011 R	2010 R
37.6 Accumulated Depreciation			
Balance previously reported -			
Implementation of GRAP			
Nett: Backlog depreciation			21 785 597
Total (debited to Accumulated Surplus/(Deficit)) (see 47.7 below)		-	21 785 597
37.7 Accumulated Surplus/(Deficit)			
Implementation of GRAP			
Adjustments to inventory (see 47.3 above)			
Excessive provisions and reserves no longer permitted (see 47.2 above)		-	
Non-current provisions previously not recognised (see 47.4 above)			
Transferred from statutory funds (see 47.1 above)		-	
Fair value of Property, Plant and Equipment previously not recorded (see 47.5 above)		-	
Backlog depreciation (see 47.6 above)		-	
Total		**-**	**-**

38 CORRECTION OF ERROR

During the year ended 30 June 2010, adjustments to creditors of previous year and corrections to VAT was made:

GRAP 3 Disclosure

The comparative amount has been restated as follows:

Net effect on surplus/(deficit) for the year	2 922 295	4 290 347
Creditors		2 013 659
Credit Instalments sales		141 717
Grants		411 974
Bank		(142 361)
Other Income		244 891
DBSA		(167 031)
Salaries		358 958
VAT		1 428 539
Net effect on Statement of Financial Position	-	4 290 347
Net effect on Accumulated surplus opening balance	-	

39 GOING CONCERN

The extremely high cost associated with the delivery of basic services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the socio-economic profile (high unemployment rate) of Kheis communities resulted in a serious risk for Kheis Municipality going concern.

Unless sustainable job creation is achieved Kheis Municipality will not be able to function as a going concern without Government Grants and Subsidies

40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance		
Unauthorised expenditure current year		965 736
Approved by Council or condoned		
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	**-**	**965 736**

Incident	Disciplinary steps/criminal proceedings
Conditional Grant monies utilized for operating expenditure	R965 736

	Note	2011 R	2010 R
40.2 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		139 571	
Fruitless and wasteful expenditure current year		32 957	139 571
Condoned or written off by Council			
To be recovered – contingent asset (see note 55)	Notes15-61'!A883		
Fruitless and wasteful expenditure awaiting condonement		**172 528**	**139 571**

Incident	Disciplinary steps/criminal proceedings
Penalty for late submission of EMP 201 returns R32 957	

40.3 Irregular expenditure

41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government

41.2 Audit fees

Opening balance	1 404 800	
Current year audit fee	802 239	
Amount paid - current year	-	
Amount paid - previous years		
Balance unpaid (included in payables)	**2 207 039**	**-**

The balance unpaid represents the audit fee for an audit conducted during July till December 2010 and is payable by 30 June 2011.

41.3 VAT

VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.

41.4 PAYE and UIF

Opening balance		
Current year payroll deductions	874 550	
Amount paid - current year	(874 550)	
Amount paid - previous years		
Balance unpaid (included in payables)	**-**	**-**

The balance represents PAYE and UIF deducted from the June 2011 payroll. These amounts were paid during July 2011

41.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	1 164 863	
Amount paid - current year	(1 164 863)	
Amount paid - previous years		
Balance unpaid (included in payables)	**-**	**-**

The balance represents pension and medical aid contributions deducted from employees in the June 2011 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2011.

	Note	2011 R	2010 R

41.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2011			
Councillor W Maritz	1 552		1 552
Councillor J.P.I Joseph	2 520		2 520
Councillor E Cloete	6 036		6 036
Councillor P Vries	16 124		16 124
Councillor W Esau	(176)		(176)
Councillor AL Diergaardt	6 156		6 156
Total Councillor Arrear Consumer Accounts	**32 212**	**-**	**32 212**
as at 30 June 2010			
Councillor S Jansen	6 399		6 399
Councillor J.P.I Joseph	5 637		5 637
Councillor E Cloete	3 925		3 925
Councillor W Maritz	1 018	1 018	
Councillor S Esau	2 331		2 331
Total Councillor Arrear Consumer Accounts	**19 310**	**1 018**	**18 292**

41.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

42 CAPITAL COMMITMENTS

42.1 Commitments in respect of capital expenditure

- Approved and contracted for	**3 122 252**	**4 274 159**
Infrastructure Bulkwater Upgrading Topline and Brandboom		4 274 159
Infrastructure - Oxidation Ponds (Topline)	2 322 252	
Community - Upgrading of municipal building	800 000	
Heritage		
Other		
- Approved but not yet contracted for	**-**	**-**
Infrastructure		
Community		
Heritage		
Other		
Total	3 122 252	4 274 159
This expenditure will be financed from:		
- EPWP	800 000	
- Government Grants	2 322 252	
- Own resources		
- District Council Grants		
	3 122 252	**-**

42.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows: None

43 RETIREMENT BENEFIT INFORMATION

43.1 Defined contribution plan

The following are defined contribution plans: xxxxxxxxxxxxxx. Not completed
These contributions have been expensed.

		Note	2011 R	2010 R
43.2	**Defined benefit plan**			
	Certain employees of the municipality belong to the xxx Fund, a mult-employer plan / state plan. The most recent actuarial valuation was done on x. These valuations indicate that the plan is in a sound financial position. The estimated liabilities of the fund are Rx million which are adequately funded by assets of Rx million.		Not completed	
	An amount of Rxxx (20X0 : Rxxx) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.			
44	**CONTINGENT LIABILITY**			
44.1	Claim for damages		1 000 000	1 000 000
	Claim in respect of accident of municipal contracted service providers vehicle with a pedestrian. Claim not likely to result in a loss for the municipality. Vehicle licence Road Accident Fund			
44.2	Performance bonus dispute – Legal fees			
45	**CONTINGENT ASSET**		NONE	
46	**IN-KIND DONATIONS AND ASSISTANCE**			
	The Municipality received the following in-kind donations and assistance		NONE	
47	**RELATED PARTIES**			
	Joint Ventures		NONE	
	Councillors		NONE	
	Associates		NONE	
	Members of key management		NONE	
	Close family member of key management		NONE	
	Post employment benefit plan for employees of municipality and/or other related parties		NONE	
	Other related party relationships		NONE	
	Compensation to councillors and other key management (refer to note 33 & 34)			
48	**EVENTS AFTER THE REPORTING DATE**		**NONE**	

	Note	2011 R	2010 R

49 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment

Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Fair value of plan assets
Provision for doubtful debts
Impairment of assets
Provision for long-term service award
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions
Other

50 RISK MANAGEMENT

50.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

50.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

	Note	2011 R	2010 R

50.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

At year end, financial instruments exposed to interest rate

- Call deposits
- Notice deposits
- Development Bank of South Africa loan

50.4 Other price risk NONE

51 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

!KHEIS MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2011

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2010	Received during the period	Redeemed / written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
DBSA Loan @ 5%	27343	30-04-2017	2 839 606	(364 571)		2 475 035		
WESBANK FINANCE @ 14% NISSAN MICRA	85102869099		38 358		33 360	4 998		
WESBANK FINANCE @ 14% NISSAN HARDBODY 2000	85102868720		49 351		42 916	6 435		
WESBANK FINANCE @ 14% NISSAN HARDBODY 2400	85102868718		49 187		42 898	6 289		
WESBANK FINANCE @ 14% NISSAN ALMERA	85102868706		50 452		44 002	6 449		
Total long-term loans			**3 026 953**	**(364 571)**	**163 177**	**2 499 206**		
ANNUITY LOAN								
Sanlam @ x%								
GOVERNMENT LOANS								
- Other @ x%								
Total Government Loans								
TOTAL EXTERNAL LOANS								

!KHEIS MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation							
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	16 989 804				16 989 804					-			16 989 804
Landfill Sites	384 176	191 430			575 606					-			575 606
Quarries	-	-			-					-			-
	17 373 980	191 430	-	-	17 565 410	-	-	-	-	-	-	-	17 565 410
Buildings	15 269 400				15 269 400					-			15 269 400
Infrastructure													
Drains					-					-			-
Roads	1 000				1 000					-			1 000
Sewerage Mains & Purification	7 022 395				7 022 395	1 694 699	351 120			2 045 819			4 976 576
Electricity Street & Highmasts	1 364 912				1 364 912	26 150	92 983			119 132			1 245 779
Electricity Peak Load Equip					-					-			-
Water Mains & Purification					-					-			-
Water Network	10 853 934	4 422 645		2 021 136	17 297 715	1 476 184	314 033			1 790 217			15 507 498
Storm Water					-					-			-
	19 242 241	4 422 645	-	2 021 136	25 686 022	3 197 033	758 136	-	-	3 955 169	-	-	21 730 853
Community Assets													
Parks & Gardens					-					-			-
Libraries					-					-			-
Recreation Grounds	27 196				27 196					-			27 196
Civic Buildings					-					-			-
Stadiums					-					-			-
Halls					-					-			-
Theatre					-					-			-
Swimming Pools					-					-			-
Cemeteries					-					-			-
	27 196	-	-	-	27 196	-	-	-	-	-	-	-	27 196
Heritage Assets													
Historical Buildings					-					-			-
Paintings & Artifacts					-					-			-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	51 912 817	4 614 075	-	2 021 136	58 548 028	3 197 033	758 136	-	-	3 955 169	-	-	54 592 859

!KHEIS MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation							
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	51 912 817	4 614 075	-	2 021 136	58 548 028	3 197 033	758 136	-	-	3 955 169	-	-	54 592 859
Other Assets													
Office Equipment	200 212				200 212	183 285	3 386			186 671			13 541
Furniture & Fittings					-					-			-
Bins and Containers					-					-			-
Emergency Equipment					-					-			-
Motor vehicles	1 996 230	594 737			2 590 967	1 750 898	147 278			1 898 177			692 791
Fire engines					-					-			-
Refuse tankers					-					-			-
Computer Equipment	301 774	51 669			353 443	311 082	19 211			330 293			23 150
Computer Software (part of computer equipment)					-					-			-
Other Assets	1 767 570	4 687			1 772 257	543 440	92 106			635 546			1 136 711
	4 265 786	651 093	-	-	4 916 878	2 788 705	261 981	-	-	3 050 686	-	-	1 866 192
Finance Lease Assets													
Office Equipment		2 510 006			2 510 006		125 500			125 500			2 384 506
Other Assets					-					-			-
	-	2 510 006	-	-	2 510 006	-	125 500	-	-	125 500	-	-	2 384 506
Total	**56 178 602**	**7 775 175**	**-**	**2 021 136**	**65 974 913**	**5 985 738**	**1 145 617**	**-**	**-**	**7 131 355**	**-**	**-**	**58 843 557**

!KHEIS MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying value
	R	R	R	R	R	R	R	R	R	R
	2010									
Tax & General Services	32 671 576	191 430			32 863 006				-	**32 863 006**
Executive & Council	186178.57	6 947			193 126	150 676	35 689		186 365	**6 761**
Finance & Admin	3 075 056	49 409			3 124 465	635 718	50 692		686 411	**2 438 054**
Public Works	1 945 689				1 945 689	460 080	165 394		625 474	**1 320 215**
Sewerage & Cleaning Services	8 050 445	594 737			8 645 182	2 722 741	351 120		3 073 861	**5 571 321**
Water Services	12 712 914	4 422 645	2 021 136		19 156 695	2 095 315	417 222		2 512 537	**16 644 158**
Library	30 100				30 100	30 090			30 090	**10**
Other	16 650				16 650	16 618			16 618	**32**
Total	**58 688 609**	**5 265 168**	**2 021 136**	**-**	**65 974 913**	**6 111 238**	**1 020 117**	**-**	**7 131 355**	**58 843 557**

!KHEIS MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2011

2010	2010	2010		2011	2011	2011
Actual Income	**Actual Expenditure**	**Surplus / (Deficit)**		**Actual Income**	**Actual Expenditure**	**Surplus / (Deficit)**
R	**R**	**R**		**R**	**R**	**R**
9 702 722	1 864 492	7 838 230	Executive & Council	-	2 337 094	(2 337 094)
8 654 083	9 795 145	(1 141 062)	Finance & Admin	23 346 049	27 957 405	(4 611 356)
			Planning & Development			-
			Health			-
			Community & Social Services			-
			Public Safety			-
			Sport & Recreation			-
			Environmental Protection			-
2 924 108	2 402 828	521 280	Waste Management	3 314 721	2 529 329	785 392
			Road Transport			-
3 486 705	2 342 073	1 144 633	Water	3 904 686	2 572 735	1 331 951
			Electricity			-
131 354	412 726	(281 372)	Other	546 806	-	546 806
24 898 972	**16 817 264**	**8 081 708**		**31 112 262**	**35 396 562**	**(4 284 301)**
			Less: Inter-Department Charges			
24 898 972	**16 817 264**	**8 081 708**	Total	**31 112 262**	**35 396 562**	**(4 284 301)**

-

APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

REVENUE	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	595 065.13	604 894.00	(9 828.87)	(1.62)	
Property rates - penalties imposed and collection charges	-	-	-		
Service charges	5 987 655	5 962 476.00	25 178.76	0.42	
Rental of facilities and equipment	17 954	37 325.00	(19 371)	(51.90)	
Rental of Buildings	476 937	385 640.00	91 297	23.67	
Interest earned - external investments	160 264	99 544.00	60 720	61.00	
Interest earned - outstanding debtors	1 303 738.83	432 524.00	871 215	201.43	
Fines	26 770.00	44 780.00	(18 010)	(40.22)	
Licences and permits	520 035.98	184 163.00	335 873	182.38	
Government grants and subsidies	21 808 432	22 082 000	(273 568)	(1.24)	
Other income	15 396	13 620.00	1 776	13.04	
Public contributions, donated/contributed PPE	55 424.95	-	55 425		
Gains on disposal of property, plant and equipment	144 589.30		144 589		
Total Revenue	***31 112 262***	***29 846 966***	***1 265 296***		
EXPENDITURE					
Executive & Council	2 337 094	3 049 603	(712 509)	(23.36)	Saving on expenditure due to cashflow problems
Finance & Admin	27 957 405	14 029 861	13 927 544	99.27	Saving on expenditure due to cashflow problems
Water	2 572 735	3 186 400	(613 665)	(19.26)	Depreciation infrastructure not budget for
Waste Manageme	2 529 329	1 457 104	1 072 225	73.59	
			-		
Total Expenditure	***35 396 562***	***21 722 968***	***13 673 594***		
NET SURPLUS/(DEFICIT) FOR THE YEAR	***(4 284 301)***	***8 123 998***	***(12 408 299)***		

-
-
-
-
-

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Assets	2011 Budget	2011 Variance	2011 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	*(Explanations to be recorded)*
Tax & General Services	32 671 576		32 671 576		32 671 576	#DIV/0!	Capital projects of the previous year
Executive & Council	3 075 056		3 075 056		3 075 056	-	
Finance & Admin			-		-	#DIV/0!	
Public Works	1 945 689		1 945 689		1 945 689	#DIV/0!	Capital projects of the previous year
Sewerage & Cleaning Services	8 050 445		8 050 445		8 050 445	#DIV/0!	Capital projects of the previous year
Water Services	12 712 914		12 712 914		12 712 914	#DIV/0!	Roll over project to next financial year
License and Traffic	30 100		30 100		30 100	-	
Community Service	16 650		16 650		16 650	-	
Library			-		-	-	
Other					-	-	
TOTAL	**58 502 430**	**-**	**58 502 430**	**-**	**58 502 430**	-	

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity												Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework	Reason for non-compliance
		Balance b/f	Sept	Dec	March	June	Total	Sept	Dec	March	June	Total	March	June	Sept	Dec	March		Yes / No	
MIG	Dept of COGHTA	1 544 162.74	2 000 000	3 000 000	3 124 000		**8 124 000**	1 995 196	3 077 126	693 318	1 580 271	7 345 911							Yes	
Equitable Share	Dept of Finance		4 911 530	3 929 000	2 946 919		**11 787 449**	2 946 862	2 946 862	2 946 862	2 946 862	11 787 449							Yes	
FMG	Dept of Finance		1 200 000				**1 200 000**	624 832	312 955	286 116	155 405	1 379 307							Yes	
MSIG	Dept of COGHTA	130 072.00	750 000				**750 000**	104 260			165	104 424							Yes	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.